

A Competitiveness Approach to Increased SME Participation in Namibia's Tourism Cluster

Submitted to



U.S. Agency for International Development

**Small and Medium Enterprise Competitiveness Enhancement Program (SMECEP)
Contract Number 690-C-00-02-00002-00**

Project Activity Number: 673-001

Prepared by:

**David L. Franklin
Andrew G. Keeler
Barbara B. Pietuch
Jonathan Bloom**

October 2003



Sigma One Corporation

**Private Bag 13368
Windhoek, Namibia
Tel 264-61-247-129
Fax 264-61-248-591
info@sigmaone.com.na**

**Post Office Box 12861
Research Triangle Park, NC
Tel (919)361-9800
Fax (919)361-5858
Mail@SigmaOne.com**

A Competitiveness Approach to Increased SME Participation in Namibia's Tourism Cluster

Submitted to:

**U.S. Agency for International Development
Contract Number 690-C-00-02-00002-00**

**Small and Medium Enterprise Competitiveness Enhancement Program
(SMECEP)**

Submitted by:

Sigma One Corporation

Executive Summary

Tourism in Namibia is highly competitive at the highest standards of value in the international marketplace. Tourism in Namibia is a bargain to international visitors in comparison to many other world class destinations for eco-tourism. Namibia is competitive in the global marketplace for eco-tourism because of the uniqueness and multiplicity of high quality eco-tourism experiences that are available and accessible in a single country. Additionally, Namibia is highly competitive globally and among its regional neighbors in terms of costs. Namibia has excellent transport infrastructure and services for international arrivals and for internal domestic services on land, air, and water that are superior to most African destinations. The availability of public services (water, electricity, phones, health care, etc.) places Namibia in a top class regionally and globally.

The natural and cultural endowments of Namibia, in combination with a well-developed infrastructure and a tradition of success in nature-based tourism (centered on game viewing and hunting lodges), form the basis for further developing tourism as one of the leading sectors of the economy. Namibia offers its tourist visitors a host of unique world-class experiences based on an outstanding diversity of wildlife (animal and botanical species), and superb contrasts of the landscape from rivers and mountains to the deserts and the sea. Key opportunities for expansion of the tourism cluster as a whole exist in high-value niches in the competitive global tourism market for which Namibia is well situated. Within this potential, there are opportunities for significant participation by small and medium (SME) enterprises that could provide added value to Namibia's natural and cultural resources.

This report focuses on the opportunities for SME participation within an overall strategy of enhancing the competitiveness of Namibia's tourism as a whole. The specific focus is to identify actions, which could be undertaken by USAID's Small and Medium Enterprise Competitiveness Enhancement Program (SMECEP) to increase profitable participation by indigenous SMEs within the cluster. The assessment of the broad-based elements of a strategy for enhancing the cluster, as a whole, is needed to place the SME opportunities in context. The report is not intended to address the implementation of the broader cluster-wide strategy, however.

The Namibian tourism cluster has strong foundations in terms of trade associations and supportive government bodies. The public sector's role in the cluster is made operational through the Namibia Tourism Board (NTB), which provides a platform for the promotion of Namibian tourism. The structures within the public sector have joined in an effective private/public partnership to foment the development of tourism in Namibia. The government's tourism policy seeks to expand the participation by previously disadvantaged persons and SMEs, in particular, within a context of environmental sustainability and prudent use of natural resources to expand jobs and incomes.

There are opportunities to enhance the performance of the cluster for the benefit of all Namibians by attracting significantly larger numbers of "high-end" eco-tourists from rich countries, globally, and in particular from the United States. A particularly important opportunity is centered on greater involvement of the indigenous peoples of Namibia in the provision of world-class eco-tourism and community-based experiences to a world-class clientele. There are also opportunities for SME participation through the outsourcing of services, supplies, and mementos for the Namibian Experience from new and emerging small and medium enterprises in support of the established and larger enterprises in the cluster.

The opportunities for SME participation in tourism in Namibia are, however, limited at the present time, because almost all establishments are owned and managed by long-established business firms in Namibia and/or by international companies and investors. There is a nascent effort underway through the Namibia Community Based Tourism Association (NACOBTA) among others, to increase both the cultural content of Namibian tourism and the participation of indigenous persons as entrepreneurs and as providers of services. The prospects for increased participation of indigenous entrepreneurs in tourism will evolve over a long-term horizon and only through a concerted effort at incorporating such enterprises in the mainstream of the cluster through cooperative and mutually beneficial partnerships between SMEs and the established firms.

The potential benefits to all Namibians from enhancements to the cluster's competitiveness are large; tourism generates approximately US\$ 500 million of economic activity and accounts for nearly six percent of Namibia's gross domestic product. About one in eight jobs in Namibia are the result of the economic impact of the tourism cluster (50,000 persons, approximately, whereas direct employment in the cluster is about 20,000 persons). This report presents a strategy for positioning Namibia in the high-end and high-value niches in the competitive global tourism market; this strategy could increase revenues and employment by 35% (US\$ 175 million per year and 7,000 new jobs) with an annual increase of 10% in tourist arrivals from these high value markets.

Namibia's two largest international sources of tourists, Germany and the United Kingdom account for one in six of all international arrivals and are the second and third largest tourism spenders worldwide. Among the top spenders, the USA is the single largest market for international tourism, and tourists from the USA alone account for more international tourism expenditures than the other top five countries combined. The USA market for 'high-end' ecotourism to international destinations around the world consists of approximately seven million international travelers per year. Namibia, however, represents an insignificant share of expenditures by tourists from the United States. Tourists from North America account for about two-percent of visitors to Namibia (approximately 12,000 in 1998). None-the-less, this small percentage of visitors from the USA may account for as much as ten percent of the economic activity resulting from tourism in Namibia each year. ***This implies that USA tourists spend as much as five times the average expenditures of other tourists that come to Namibia.*** This is a major reason for recommending a strong focus on attracting high-end tourists from the United States. A strategy to attract increased numbers of high-end eco-tourists from the USA would also serve to attract other high-end tourist from rich countries in Asia and Europe.

The proposed strategy is based on a continuation of the tradition of good service to the existing customer base from Germany and the UK and the regional visitors from South Africa, while enhancing the quality and execution of service delivery and increasing the participation of indigenous Namibians in providing authentic cultural and ecological experiences to the higher income tourists from America and elsewhere. This strategy would use the existing infrastructure more uniformly throughout the year and reduce Namibia's dependence on seasonal peaks of arrivals from Europe. The strategy would be based on the following elements:

- Establish Namibia as a top brand in high value markets, while improving service to existing markets.
- Create linkages among service providers (airlines, local transport, accommodations, specific attractions, tour guides, artisans, cultural experiences).
- Promote service attitudes among providers and their employees in all aspects of cluster performance.
- Link tourists' experiences to culture and history, particularly to the local communities.

Within these elements an essential thrust is to incorporate the communities in all aspects of the provision of services to all segments of the market. This would specifically require that the established core enterprises reach out to the communities to incorporate them and their people more directly in providing the services associated with serving the new markets for high-end tourism. The indigenous SMEs will not automatically enter into the cluster without a pro-active “demand-pull” by the existing establishments in the cluster to engage the SMEs in the provision of services to increase the participation of indigenous Namibians in all aspects of the cluster.

This strategy does not rely on increasing the pace of infrastructure development, ***what is needed is better use of what exists through better integration and delivery of services in accordance to international standards.*** An important consideration is that new visitors from North America can be encouraged to come to Namibia in what would currently be off-peak times so as to increase capacity utilization (across seasons) and thus increase revenues without increasing pressure on the environment or the local cultures.

The report recommends that the cluster organizations (enterprises, business associations and cognizant government entities), under the leadership of the Namibia Tourism Board work to include Namibia’s tourism enterprises within an internet e-commerce destination management system to provide an integrated tool for promotion, marketing and delivery of enhanced ecotourism experiences to the high-end clientele throughout the world. Namibia needs such a state of the art “e-business” approach to attracting and serving high-end eco-tourists because Namibia is far from the buying decision and lead times are shortening in buying decisions. Under present conditions it can take weeks to organize a complete Namibian Experience; the high-end tourist do not have this kind of time or patience and they will go to those destinations that offer them convenience and assured quality.

In addition to these broad enhancements to cluster competitiveness the report identifies a selected number of specific opportunities for increased participation by SMEs in providing tourism related services. These opportunities exist in logistical services provided by SMEs that are well integrated into the cluster, e.g. taxi/shuttles, tour guides, issuance of entrance permits to national parks and reserves, supplies and vending of petrol and other consumables, catering, etc. There are also opportunities for outsourcing of goods and services by established firms (laundry, catering, supplies, and mementos). These will only emerge if there is a well-monitored mentor-protégé relationship between the established firms and the SMEs.

The broad enhancements to competitiveness and expansion of the cluster are outside the scope USAID’s SMECEP, but the program can assist the SMEs within the cluster to more effectively and profitably fulfill their business functions within the cluster. In achieving this, the SMECEP can help lay a foundation of increased trust by the established enterprises within the cluster regarding the performance of SMEs as sources of goods and services (outsourcing) and as sources of cluster competitiveness. The program can also provide assistance to NTB and other cluster institutions to more effectively incorporate SMEs with high performance potential in an NTB-led strategy for improving the positioning of Namibia’s tourism in the global marketplace through increased use of e-commerce.

Table of Contents

1.0	Introduction and Presentation	1
2.0	Structure and Strategies of Firms in Namibia's Tourism Cluster	5
3.0	Demand Factors as Determinants of Competitiveness in Namibia's Tourism	7
3.1	Namibia's Tourism Cluster is Highly Competitive Globally	9
3.2	Potential Impact from Growth in Sustainable and Community-based Tourism	10
4.0	Factor Market Conditions: Facilities, Infrastructure, Workers' Skills, and Management Perspectives	14
5.0	Cluster Foundations as a Basis for Greater SME Participation in Tourism	19
6.0	Recommendaions for Enhancing Tourism Competitiveness in Namibia through SME Participation	22
6.1	Cluster Cooperation to Establish Namibia as a Top Brand in High Value Markets	22
6.2	Specific Opportunities for SMEs for Increased Tourism Cluster Competitiveness	26
6.3	Summary of Findings and Recommendaions for Increasing Competitiveness of SMEs in the Namibian Tourism Cluster	28

1.0 Introduction and Presentation

Namibia is spectacularly beautiful and has exceptional diversity in its ecology. Tourism in Namibia is safe in terms of both health and personal security. Furthermore, high quality tourism in Namibia is a bargain to international visitors in comparison to many other world class destinations for eco-tourism such as East Africa, Australia, The Galapagos Islands, North and South America. For these and other important reasons, the tourism cluster in Namibia is highly competitive at the highest standards of value in the international marketplace. As a result, there are important opportunities for expansion and upgrading of the value accruing to Namibia from further enhancements of competitiveness in the cluster. One of the major enhancements to competitiveness in the tourism cluster in Namibia would result from a sustained effort by all current players in the cluster to increase the participation of small and medium enterprises (SMEs) in all segments of the cluster. A particularly important opportunity is centered on greater involvement of the indigenous peoples of Namibia in the provision of world class eco-tourism and community-based experiences to a world class clientele from local, regional and international markets.

The work for this report was undertaken by a team of analysts from Sigma One Corporation as part of a USAID funded program with the Ministry of Trade and Industry of the Government of Namibia, *The Small and*

Medium Enterprise Competitiveness Enhancement Program (SMECEP). The purpose of the report is to provide guidance to the implementors of the program as to the opportunities for expanded business activity in the cluster by small and medium enterprises owned and managed by previously disenfranchised Namibians. This information is intended to guide the planning and execution of the program in providing services to SMEs. It is not intended to provide an approach for supporting the cluster as a whole. Such an approach is outside the resources and time horizon for the SMECEP.

The analyses of opportunities for enhancing competitiveness that are presented in this report are focused on those opportunities where greater participation by historically disadvantaged Namibians, as entrepreneurs, would add value to the cluster as a whole and help create employment and income opportunities for a broad spectrum of participants within Namibia. The analyses and suggestions in this report are intended to be a complement to significant ongoing positive developments within the cluster and to the work of the public and private institutions (including non-governmental organizations) that support the development of the tourism cluster in Namibia. As such, the suggestions offered from these analyses are intended to promote cluster competitiveness for the benefit of all Namibians with a particular emphasis on the opportunities for emerging small and medium enterprises. These opportunities are the product of consultations with many players in the cluster and with numerous institutions that are concerned with the development of sustainable approaches for increased incomes and employment based on Namibia's cultural and ecological endowments.

The authors of this report recognize and respect that there are, already, substantial strengths in the tourism cluster as a result of the efforts and investments by the traditional establishments in the cluster. The analyses presented, however, also serve to highlight opportunities that have emerged in the post-

Namibia's Tourism is Highly Competitive

- **Namibia is Spectacularly Beautiful!**
- **Namibian People and Cultures: The True Gems and Riches of the Nation**
- **Exceptionally Diverse Ecology: A World Class Destination for Eco-tourism**
- **Excellent Value for Money in Comparison to Top Destinations around the World**

apartheid era from an increased desire of international tourists from high-income countries to experience the natural and cultural endowments of Namibia, its people, and their unique place within Africa and the world.

This report is focused on identifying opportunities for greater SME participation in enhancing the competitiveness of Namibia's tourism cluster. It is not exhaustive in its analysis or in identifying opportunities for the cluster in its entirety. Nevertheless, where our analyses indicate opportunities for

***Solid Foundations:
A Strong Tradition of Success***

- **Presidential Advisory Council on Tourism**
- **Ministry of Environment and Tourism**
- **Namibia Tourism Board**
- **Federation of Namibian Tourism Associations (FENATA)**
- **Hospitality Association of Namibia (HAN)**
- **Namibian Community Based Tourism Association (NACOBTA)**
- **Association of Tour and Safari Operators (TASA)**
- **Others (NAPHA, CARAN, TRENABA, NATH, etc)**

the established enterprises (and their associations and institutions), these will be suggested with deep respect for the extant solid foundations among these enterprises and institutions and in a spirit of collaboration.

The natural and cultural endowments of Namibia, in combination with a well-developed infrastructure and a tradition of success in nature-based tourism (centered on game viewing and hunting lodges), form the basis for developing tourism into one of the leading sectors of the economy. Namibia offers its tourist visitors a host of unique world-class experiences based on an outstanding diversity of wildlife (animal and botanical species), vast expanses of silent and unspoiled wilderness, and

superb contrasts of the landscape from rivers and mountains to the deserts and to the sea. These natural resources in and of themselves make Namibia competitive in tourism and carry the potential of significant expansion in all aspects of the tourism cluster. Within this potential expansion, there are opportunities for significant participation by small and medium (SME) enterprises in various elements of the cluster by providing added value to Namibia's natural and cultural resources in fulfillment of the stated policies of government for the development of tourism for the benefit of all Namibians.

The Government of Namibia's objectives for SMEs in the tourism sector are summarized in the following key principles:

- To facilitate better access to the factors of production for previously disadvantaged groups and women;
- To improve the enabling environment for the small scale and informal sector;
- To protect the biodiversity of Namibia; and
- To embark on economic utilization of Namibia's natural resources for the creation of employment and income at both the national and community levels.

Small and medium businesses are an integral part of tourism, and Namibia's ability to create a thriving SME sector will help determine the nation's success in meeting its goals for the tourism cluster. New SMEs and the enhancement of existing small and medium businesses in the tourism cluster can help place Namibia at the forefront of high-value tourism destinations. To fully extract value from the tourism cluster for the benefit of all Namibians will require a structured and market driven approach to tourism development in Namibia. The key opportunities exist in high-value niches in the competitive

global tourism market for which Namibia is well situated by its own natural and cultural wealth and by its position among its Southern African regional neighbors. There are also increased opportunities for broader SME participation through the outsourcing of services, supplies, and mementos for the Namibian Experience from new and emerging small and medium enterprises in support of the established and larger enterprises, as well as in the expansion and enhancement of tourism emphasizing Namibia's unique ecological and cultural endowments in the various indigenous communities.

This report emphasizes “cluster competitiveness” as the set of criteria for identifying the potential for sustainable development and improved livelihoods for previously disenfranchised Namibians. By using the paradigms and taxonomies of cluster and enterprise-level competitiveness, the report seeks to identify a course of action for sustaining the natural, cultural, and human resources that are the core foundation of the cluster. This strategy will thus enhance opportunities for people that derive their livelihood from entrepreneurial and labor effort within the cluster. In this context, we avoid “quick fixes” to problems of poverty and under-employment that could result in the exploitation of the people of Namibia or of the natural resources that are so vital to their sustenance.

The report is organized in accordance to the taxonomy of the factors that determine competitiveness of a business cluster as posited by Porter (1990)¹. Specifically, the report examines the current **structure and strategies of firms in the cluster**, their **productive factors**, their **position in markets (demand factors)**, and the **supporting cluster foundations** such as business associations, infrastructure, etc. According to Professor Porter, clusters emerge as systems of interconnected firms where one or more of the four corner elements of the “diamond” (structure and strategy of firms, factors of production, market (demand) factors or the supporting industries and institutions) impart competitive advantage to firms within the cluster and to the cluster as a whole. Traditionally, factor market and market demand conditions have been the drivers of cluster formation as illustrated by Hotelling's “Ice Cream Vendor Theorem” (circa 1936), which suggests that firms such as ice cream vendors in recreational areas will tend to “cluster” together in the path of customers' flows in order to maintain market share; for these reasons artisanal markets tend to be agglomerations of vendors of similar or related products. The “cluster approach” also has underpinnings in “Central Place Theory” of Anthropology.

More recently, there are numerous examples of the formation and location of clusters; for example, “clusters” of high technology firms have formed over the last fifty years along Route 128 around Boston, Massachusetts, in the “Silicon Valley” of California, and in the Research Triangle Park of North Carolina. These clusters formed in each of these regions because each region offered abundant supplies of highly skilled and trained scientists and technicians that were being educated in each region's universities and technical schools. More often, clusters emerge where all four elements of the diamond impart competitive advantages to the firms in the cluster, and recently institutional and policy factors have gained significant importance in the emergence of competitive clusters of affine firms in many realms of economic activity.

In the case of tourism in Namibia, the attractions to Namibia's natural and cultural resources and the strong institutional underpinnings are sources of cluster competitiveness. The large distances from

¹ Michael Porter (1990), *The Competitiveness of Nations*, The Free Press, Glencoe, Illinois

clients are “demand factors” that present an impediment to cluster formation, as do the low skill levels of workers in the firms within the cluster. The cluster has strong potential to become highly competitive in world markets, but there are significant weaknesses related to inter-firm linkages and cooperation that are preventing the emergence of a highly competitive tourism cluster in Namibia. These issues are presented in the following sections, which address conditions for each corner of the Porter Diamond.

The next section presents an overview of the *structure and strategies of firms* in Namibia’s tourism cluster. The overview is general in scope and is not intended to be a profound analysis of the firms within the cluster, but rather a brief sketch of the main elements to inform persons not familiar with tourism in Namibia. That section is followed by a section describing the *market demand factors* as they are currently served by Namibian firms. This section also presents analyses of emerging market opportunities, which if pursued by the cluster could lead to significant enhancement in competitiveness and a major source of growth, profitability, employment and incomes for all the players in the cluster. A third section describes the *factors of production* involved in providing tourism related services and the needed enhancements to enable the expansion into the emerging opportunities. A fourth section describes the *cluster foundations*, particularly the institutions and organizations that support the firms currently. These foundations would serve as the basis for cluster (inter-firm) collaboration in developing an enhanced response to the market opportunities identified in the second section. The report concludes with recommendations for increased SME participation as a vital strategy for developing the emerging market opportunities for the cluster as a whole.

The fieldwork reported was undertaken over a period of a month during May/June 2002 after which the analysis centered on an assessment of Namibia’s competitiveness in the context of prevailing and emerging world market conditions for ecologically and culturally-based tourism. The team of experts was led by Dr. David L. Franklin who served as the competitiveness analyst and senior writer of this report (based on the field notes from a team of eco-tourism experts). The field observations were undertaken under the leadership of Professor Andrew Keeler of the University of Georgia Institute of Ecology with the participation of Mr. Bunjun Kishore (a former executive with the Namibia Wildlife Resorts) and Professor Jonathan Bloom from Stellenbosch University (an expert in marketing strategies for tourism in Southern Africa). Ms. Barbara Pietuch developed the market research information and participated in the preparation of the report with information from the market research task and from her observations during complementary fieldwork in Namibia in August of 2002.

The fieldwork included consultations with persons in all segments and functions within the broad spectrums of tourism and tourism-related enterprises throughout Namibia. These consultations involved government officials, members of NTB, representatives of domestic and international NGO’s working on ecotourism in Namibia, operators and workers in establishments of all scales and categories. Significantly, the consultations included extensive use of the services of the facilities throughout Namibia to assess first hand all aspects of service delivery. This included all types of services such as lodging, dining, camping, crafts, taxis, shuttles, tour guides, canoe operators, travel agents, etc. The team visited with community-based tourism operators at the attractions and in the homes and villages of the community-based workers. The work was undertaken without fanfare and with deep respect for the extant strengths and the aspirations of all participants. We express our deepest gratitude to them all.

2.0 Structure and Strategies of Firms in Namibia's Tourism Cluster

In tourism, "The Product is an Experience" and Namibia has a wealth of unique ecological and/or cultural experiences to offer to the most discriminating clients in the world. These world-class products include its ecological miracles (e.g. Etosha, The Kalahari, The Namib, etc.), its cultural marvels such as petroglyphs and authentic community life among its indigenous people, as well as exceptional scenic beauty. Namibia has in one location what tourists will often travel to several continents to experience. As a result of sound economy-wide policies and specific enterprise-level and cluster competitiveness, Namibia is also highly price-competitive with some of the top-tourism destinations in the world. Namibian tourism is in all ways a high value product for its clientele; the challenge is to expand the cluster to create sustainable income earning opportunities for small and medium entrepreneurs and their workers, while building on the extant solid foundations.

Tourism is a multi-faceted industry that consists of a number of different services that collectively provide the nature and quality of the experience purchased by the tourist/client. These include accommodations, attractions, travel organizers, transport and auxiliary industry support services, such as souvenirs, clothing, mementos, gifts, etc. In Namibia, all of these elements are served by a cluster of large, medium, and small enterprises, which together may be as many as 2000 in number. These enterprises include:

- More than 400 establishments offering accommodation throughout the country (lodging and meals with related services) as the basis of the business, and another 500 hunting farms that offer limited accommodation as a necessary adjunct to their core focus on hunting;
- Approximately 50 enterprises that provide travel organization services (tour operators and tour guides) -- some of these have a regional (Southern Africa) base, while others operate only in Namibia; and
- A variety of auxiliary industry support services, including about 20 car hire firms and approximately two-dozen air taxi services dedicated, primarily, to tourism. Other firms provide goods and services to tourism, although tourism may not be seen as their principal vocation, e.g. arts and crafts, petrol stations, etc.

The overwhelming majority of these firms are highly successful in their selected market segment and in serving their present clientele. Almost all are owned and managed by long-established business firms in Namibia and/or by international companies and investors. The level of participation by indigenous Namibians as entrepreneurs within the cluster is still quite limited. There is a nascent effort under way through the Namibian Community Based Tourism Association (NACOBTA), among others, to increase both the cultural content of Namibian tourism and the participation of indigenous persons as entrepreneurs and as providers of services.

According to a recent report by the World Travel and Tourism Council (WTTC) in 2000, tourism generated nearly five billion Namibian dollars (US\$ 493 million) of economic activity and accounted for nearly six percent of Namibia's gross domestic product. About one in eight jobs in Namibia are the result of the economic impact of the tourism cluster (50,000 persons approximately, whereas direct employment in the cluster is about 20,000 persons)². The WTTC estimates that economic activity

² *TSA Research Summary and Highlights: Year 2002*, World Travel and Tourism Council.
A Competitiveness Approach to Increased SME Participation in Namibia's Tourism Cluster
Sigma One Corporation, Windhoek, Namibia

related to tourism in Namibia is currently expected to grow at a real rate of approximately five percent over the next ten years, with direct employment in the cluster growing at a similar rate. These projections imply that under current arrangements the cluster can be expected to directly create approximately 1000 new jobs per year over the next five years. The main purpose of this report is to suggest strategies by which this rate of job creation can be significantly accelerated through increased participation by indigenous Namibians as entrepreneurs within the cluster.

The cluster emerged around the natural reserves and parks, some of which date to the 19th century (Etosha), as well as around trophy and meat hunting on private properties. The tourism establishments throughout Namibia are located in publicly owned land, community-owned properties and privately owned land. The Namibia Wildlife Resorts (NWR), established in 1999 as a quasi public/private enterprise to provide tourism services in the national parks and sites, manages 22 resorts and camping sites that are situated in and around the national parks, games parks, and government proclaimed national sites. Many privately held lodges, guest farms, and other facilities are located near these national sites. For example, in Etosha, NWR has the exclusive right to provide lodging services within the park, and numerous private establishments offer services, including lodging, near the gates to Etosha. In essence, these private establishments must compete with NWR for clientele, while at the same time they have vested interest in collaborating with NWR to attract tourists to each park or national site.

To date the strategy of firms within the tourism cluster has been to locate a lodging establishment in or near a wildlife-based attraction to offer services for whatever tourists wish to avail themselves. The services on offer have been basic but adequate to provide good services to a mid and low-priced clientele including backpackers and self-catering campers. Only recently have some investments been made in providing lodging and related services to a higher priced clientele. Except for in taxis and motor coaches most ancillary services are adjacent to lodging near the wildlife and scenery attractions.

More recently, Namibia has instituted a strategy for Community Based Natural Resource Management (CBNRM), which has received international accolades. Within this strategy, the communities living within designated conservancy areas have the *de-facto* rights and responsibilities to manage the conservancies' resources in the best long run interests of the community. These CBNRM initiatives are being managed in accordance to international "best practices" through the work of NACOBTA and the international NGOs that assist them.

NWR and NACOBTA would, therefore, be central to any strategy to enhance competitiveness of Namibian tourism through increased SME participation. Such a strategy would of necessity require cooperation and collaboration among these two entities and between them and the established private enterprises throughout Namibia.

3.0 Demand Factors as Determinants of Competitiveness in Namibia's Tourism

Tourists from all income levels from around the globe have become increasingly interested in connecting with nature and with diverse cultures in a close and participative manner. This desire for closer contact with nature and the peoples of the world has emerged from concern for the interconnectedness of all species and local environments around the world. The concerns have been fostered and harnessed by numerous international private organizations, and as a result, tourism based on encounters with nature has turned from its extractive basis (game hunting, fishing for trophies, and collecting of artifacts) toward a basis of preservation and observation. Even extractive activities such as game hunting are now cast in a conservation context, in which such activities are promoted as means for sustaining populations of game species and their prey and predators in equilibrium with food supplies and habitat.

In Namibia these aspects are covered by the conservation legislation implemented in 1996, and through these policies and practices the communities in the conservancies are able to derive an important source of income from the management of hunting of wildlife. The tradition of conservation of Namibia's fragile environments is over 100 years old. Culture-based tourism is a newer phenomenon linked to the indigenous communities. Culture-based tourism tends to also value authenticity and has become more respectful of indigenous cultures, their values, their arts and music, and their social practices.

Over the last half century, such desire to participate and observe nature and cultures in the authentic settings has created a market place for tourism services even in the most remote parts of the globe. Africa with its tradition as a venue for hunting safaris has been at the forefront of the transformation from extraction to observation and participation. With this trend and with modern medicine, logistics and communication, the African Experience has become accessible to a broad spectrum of visitors from around the globe. While the main fascination of many visitors to Africa remains as the opportunity to view "The Big Five" animal species in their habitat, the emerging trend has been to understand the ecological contexts for these species as an experience that is integrated with the cultures of the local people. As such, there is greater interest in other biological (animal and botanical) species, their habitat, and significantly the culture and history of the people in Africa's unique ecologies.

The interest in such broader encounters is manifested over a wide range of incomes and across many geographic origins for the visitors to Africa. Wealthy tourists from throughout the world have created a demand for top-quality logistics services and accommodations in relation to what they seek in Africa and other special ecological and cultural settings around the globe. These demands have helped create and sustain the public and private infrastructure whereby poor countries in Africa and elsewhere are able to provide these services. Other less wealthy tourists have benefited from the investments made to provide services to the wealthy tourists, and today many people from all walks of life are able to enjoy a large set of nature- and culture-based experiences.

These trends for participative enjoyment of diverse cultures and unique ecological conditions create a major opportunity for expansion of Namibia's tourism cluster and for increased participation and benefit by previously disenfranchised Namibians. Namibia's spectacular beauty in multiple ecologies and its diverse cultures are an endowment that places it at the crest of attraction for this emerging demand. Namibia's tourism cluster has opportunities to consolidate its extant capacity that emerged

from traditional game viewing and hunting to broader based participative tourism based on an ecological and cultural perspective.

The modern tourist seeks unique natural settings and interaction with the environment (people, places, activities). The interaction with the environment can be as simple as respectful observation to more participative activities, such as walking safaris, white water rafting, trekking, camping in tents or traditional local shelter (huts), parasailing, ballooning, canoeing, etc. While a prime characteristic of such activities may be their rustic and adventure aspects, the tourists seeking such encounters expect high value and quality and they are willing to pay top prices for quality, particularly authenticity and reliability.

There is another related market demand for experiences that convey knowledge such as study tours to specific ecological settings (Etosha, The Kalahari, The Namib, etc.) or cultural marvels (The Himba and San People, for example). Here authenticity, respect and veracity of the information imparted are key characteristics of the quality sought by discriminating visitors. In the case of both nature-oriented and culture-oriented tourism, the clientele demands that all the complementary services be of the highest quality, including lodging (clean comfortable beds and safe and healthful settings), food, and logistics.

Namibia has an absolute advantage in serving these growing market demands in that Namibia has numerous unspoiled world treasures in one single destination. Take the case of majestic waterfalls, tourists can find Angel Falls, Niagara Falls, Foz do Iguazu, and Victoria Falls on three different continents. Namibia has world-class waterfalls at Epupa, Ruacana, and Popa and is near to Victoria Falls. In the case of majestic scenery in comparison to the Grand Canyon and Monument Valley in Arizona, Namibia has Fish River Canyon and numerous sites in Erongo Region, as well as others. For unique examples of evolution in isolated ecologies, Namibia has Etosha, The Namib and the Kalahari (among others) to compare with the Galapagos Islands off the coast of Ecuador. For the Serengeti or the Masai Mara, Namibia has Etosha. For the rock lines in Nasca, Peru and petroglyphs elsewhere, Namibia has Twyfelfontein and Spitzkoppe. Associated with each of these are diverse cultures and histories, which enhance the value of the Namibia experience for the discerning international visitor. These ecological and physical advantages have not yet been used fully to position Namibia at the forefront of the modern tourism marketplace.

Namibia already has significant numbers of visitors from both regional and overseas markets. The number of tourist visitors per year is in the range of 600-700 thousand persons. South Africa is Namibia's largest source of tourists with approximately a third of Namibia's annual tourism visitors. Many of the visitors from South Africa tend to operate in a self-contained mode for family camping, fishing and hunting. As a result, the value accruing to Namibia from these visitors is low in relative terms. Angola is the second largest source of visitors to Namibia, but a high (and unknown) percentage of these visitors come to Namibia for very short stays for shopping or business purposes, rather than tourism, *per se*.

Namibia's main markets for high-value tourism, both existing and potential, are outside the region. More than sixty thousand visitors or approximately 10% of the total number of annual tourism visitors originate from Germany. Origin countries that are growing their share of Namibian tourist arrivals include France, USA, UK, Scandinavia and Italy. All these countries form part of the 15 countries

worldwide considered as the largest spenders in the international tourism market. It is noteworthy that Namibia's two largest international source markets, which account for one in six of all international arrivals, are also the second and third largest tourism spenders worldwide, i.e. Germany and the UK.

Among the top spenders, the USA is the single largest market for international tourism, and the USA alone accounts for more international tourism expenditures than the other top five countries combined. Namibia, however, represents an insignificant share of expenditures by tourists from the United States. Tourists from North America account for about two-percent of visitors to Namibia (approximately 12,000 in 1998). Even Namibia's share of USA tourists to Africa is insignificant. None-the-less, this small percentage of visitors from the USA may account for as much as ten percent of the economic activity resulting from tourism in Namibia each year³. ***This implies that USA tourists spend as much as five times the average expenditures of other tourists that come to Namibia.***

3.1 Namibia's Tourism Cluster is Highly Competitive Globally

Namibia is intrinsically and absolutely competitive because of the uniqueness and multiplicity of high quality experiences that are available and accessible in a single country. This is a convenience and time saving aspect that should not be overlooked because high-income tourists tend to have scarce time for leisure. Additionally, Namibia is highly competitive globally and among its regional neighbors in terms of costs. The following table presents a recent cost comparison (in US Dollars) for an all-inclusive tour from four points of origin in USA, UK, France and Germany to Namibia and five competing eco-tourism destinations—Kenya, Tanzania, RSA, Australia and the Galapagos Islands of Ecuador in South America. The costs are based on full fare economy air travel, five and four star lodging accommodations for seven days and comparable attractions. For Namibia the attractions include fly-in safaris, marine cruises, game and nature viewing, and visits to Fish River Canyon, Sesreim Canyon, Skeleton Coast, Sossusvlei, Etosha, the Namib Desert and the Rock paintings at Twyfelfontein. For the other sites, the attractions were selected to be comparable in style, type and number. In the case of the Galapagos Islands, the attractions are based on a five star luxury yacht (16-20 passengers) for one week with respective nature encounters in each island visited, as well as a visit to the Charles Darwin Research Station.

Cost of an All Inclusive Trip for seven days (in US dollars)

Origin Destination	Denver, Colorado USA	Brighton, England	Marseille, France	Munich, Germany	European Average
Namibia	\$5,200	\$4,190	\$4,600	\$4,250	\$4,350
Kenya	\$5,860	\$4,713	\$5,246	\$5,124	\$5,030
Tanzania	\$5,880	\$4,910	\$6,162	\$5,265	\$5,450
South Africa	\$5,980	\$4,777	\$5,120	\$5,130	\$5,010
Australia	\$8,000	\$5,300	\$9,822	\$6,300	\$7,140
Galapagos Islands	\$4,270	\$4,530	\$4,618	\$4,660	\$4,600

³ Source: Calculations by Sigma One Corporation staff from WTTC data and other sources.
A Competitiveness Approach to Increased SME Participation in Namibia's Tourism Cluster
 Sigma One Corporation, Windhoek, Namibia

Namibia competes favorably on costs for all origin-to-destination pairs, with the exception of USA tourists to the Galapagos Islands in Ecuador. The advantage for this destination from the USA is the cost of the air ticket given Ecuador's proximity to the USA. Even in this case, Namibia is competitive over all, because the attractions of the Galapagos Islands, while unique, are not as varied as what

What will bring the Eco-tourist to Namibia?

- Unique Natural (geography, fauna, flora) experiences and interaction with the environment (people, places, activities)
- Eco- and adventure tourism experiences
- High value and quality services
- Authentic Participative Study tours
- Namibia forms part of a multi-destination travel experience in Southern Africa

Namibia offers, and the uniqueness of several sites in Namibia is comparable to the Galapagos. In fact, many of the high-end visitors to the Galapagos would want to also visit Namibia as a complement to their interest in unique ecological settings around the globe.

Additional features which enhance the competitiveness of Namibia's tourism cluster include Namibia's reputation for

peace, security, safety, and tranquility. These aspects are very important in the context of Africa, where perhaps only Botswana compares favorably to Namibia. Additionally, Namibia can rightfully boast of excellent transport infrastructure and services for international arrivals and for internal domestic services on land, air, and water. In regard to international and domestic transport and logistics, Namibia is superior to most African destinations, with the possible exception of South Africa. Furthermore, the availability of public services (water, electricity, phones, emergency health) places Namibia in a top class regionally and globally among eco-tourism destinations. These logistic advantages are in part a consequence of its proximity to South Africa and as a positive legacy of its prior relationship with South Africa. Namibia's membership in SACU and the excellent logistics services also contribute to the cluster's competitiveness, in that Namibian establishments can readily offer all forms of modern consumables (food, beverages and other supplies) at reasonable prices.

3.2 Potential Impact from Growth in Sustainable and Community-based Tourism

The foregoing advantages position Namibia well to increase its presence in global markets for sustainable and community based tourism. Such an increased participation in this emerging market could have large positive economic and employment effects within a framework of sound ecological management and wholesome involvement of previously disadvantaged Namibians in key aspects of service delivery as workers and as entrepreneurs. In particular, the United States market for sustainable tourism could have a major impact on revenues and employment if Namibia could proactively seek to attract and serve this emerging market.

Sigma One Corporation undertook an assessment of the potential USA market demand for high-end sustainable tourism visits to Namibia with the collaboration of a network of top travel magazines in USA (readers' surveys) and the Travel Industry Association of America. Additionally we conducted exhaustive Web-based searches to assess Namibia's niche in sustainable tourism.

The Travel Industry of America (TIA) and *National Geographic Traveler* magazine recently completed their first national study of sustainable, community-based, eco-tourism called the "Geotourism Study"⁴. They define geotourism as tourism that sustains or enhances the geographical

⁴ Source: The Geotourism Study, Travel Industry of America/National Geographic Traveler, May 2002
A Competitiveness Approach to Increased SME Participation in Namibia's Tourism Cluster
 Sigma One Corporation, Windhoek, Namibia

character of the place being visited by respecting the environment, culture, heritage and well being of residents; this is the eco-tourist that Namibia wants to attract for sustainable tourism.

The Geotourism Study surveyed US households and identified profiles of tourists who would most likely be interested in geotourism throughout the world. These profiles were used to identify a typology of high-end USA eco-tourists likely to visit Namibia in the near future (see box). The three typologies of tourists known as (1) Geo-Savvys, (2) Urban Sophisticates, and (3) Good Citizens represent an immediate market of approximately seven million high income tourists from the USA who are likely to travel internationally each year.

In addition, Sigma One Corporation reviewed readers' surveys from USA travel magazines to assess the attributes of the tourist most likely to appreciate Namibia's sites. These readers read one of the following travel magazines:

- Travel and Leisure;
- Conde Nast Traveler;
- National Geographic;
- Travel Holiday;
- National Geographic Traveler;
- Budget Traveler;
- International Travel News;
- Smithsonian; and
- National Geographic Adventure.

These readers represent a population of 14 million magazine subscribers who were from middle to upper income households, had attended some college, and approximately half of them held valid passports and had traveled overseas in the past three years.

Other magazines, such as the Smithsonian, have also identified the interests of their readers in sustainable and culturally oriented tourism. The Smithsonian Study on Culture conducted in 2001 found that a group of their readers, which they entitled "The Culture Club", want to explore new places, discover new things and participate in cultural experiences. The majority of which go to new places and are willing to spend time and money. Their readers are three times more likely to travel internationally than other Americans. The readers of all of these magazines represent a pool of

American High-end Eco-tourists

(Seven Million International Travelers/Year)

Three leading typologies from readers' surveys:

The *Geo-Savvys* (16 Million Travelers)

- Ages (34-55), High Income
- Look for socially and culturally enriched travel
- Prefer accommodations run by local people; they travel to experience people, lifestyles and cultures very different from their own

Urban Sophisticates (21 Million Travelers)

- Ages (35-54), Higher Incomes
- Want socially and culturally enhanced travel experiences.
- Intellectual curiosity looking for an authentic experience
- Prefer high-quality lodging with excellent facilities/fine dining.
- Have very little time to waste.
- Will spend TOP \$ for an efficiently executed "experience-of-a-lifetime".

The *Good Citizens* (17 Million Travelers)

- Ages 55 +, High Incomes
- Seek strong community involvement.
- Environment is important.
- Want a high level of safety and security and expect high quality.
- Group travelers {Group Tours}
- Have money and time, but look for value and authenticity.

potential high-end tourists in the USA who are seeking what Namibia has to offer and as yet are not being reached as a clientele for Namibia.

If Namibia could capture one percent of the estimated USA high-end eco-tourism market by serving these three types of tourists, it would mean that 70,000 high-end eco-tourists from USA would add about US\$ 175 million per year in economic activity. This is approximately US\$ 100 for every Namibian annually, and could represent the creation of about seven thousand new jobs. This would be a 35% increase in revenues and employment in the cluster as a result of a ten percent increase in the number of visitors. Significantly, these high-end tourists would be “low-impact” eco-tourists regarding ecological degradation in contrast to the self-drive, self-catering market, and at the same time, they would be “high impact” in terms of the economic benefits derived by Namibians.

A strategy to attract high-end eco-tourists from the USA would also serve to attract high-income tourists from Asia, Europe and Latin America. For example, high-income tourists from Japan, who are known in the global tourist industry as “big spenders”, are reported to also be seeking authentic experiences. In Mongolia for example, the Japanese tourists are currently seeking opportunities to stay in nomads’ tents to participate in activities with the indigenous people in the context of a genuine experience rather than staying in five-star hotels⁵.

The diagram below shows how with a correctly designed “market segmentation” strategy, Namibia can benefit from serving these new clients while continuing to serve its traditional clients well. The key to this strategy is to know your clientele and differentiate your tourism markets for each subgroup of clientele. Although the self-catering backpackers and the high-end eco-tourist may enjoy the same

What Namibia wants from Tourism

Namibia Holiday and Travel, 2002, “Emphasis on Quality Tourism as opposed to Quantity”.

Walvis Bay SDI Tourism Initiative, 2001, “Real Potential for Growth...Small Group International Niche Markets”

Namibia Tourism Board, “Ensure that Namibia is promoted as a preferred tourism destination internationally”

Ministry of Environment and Tourism, “Responsibility to all Namibians to preserve Namibia’s Resources for Future Generations.”

Namibia Tourism Development Programme, “Support Diversification of Namibia’s Tourism Economy and the Creation of Substantial Income Growth and Increased Employment Opportunities in a sustainable way”.

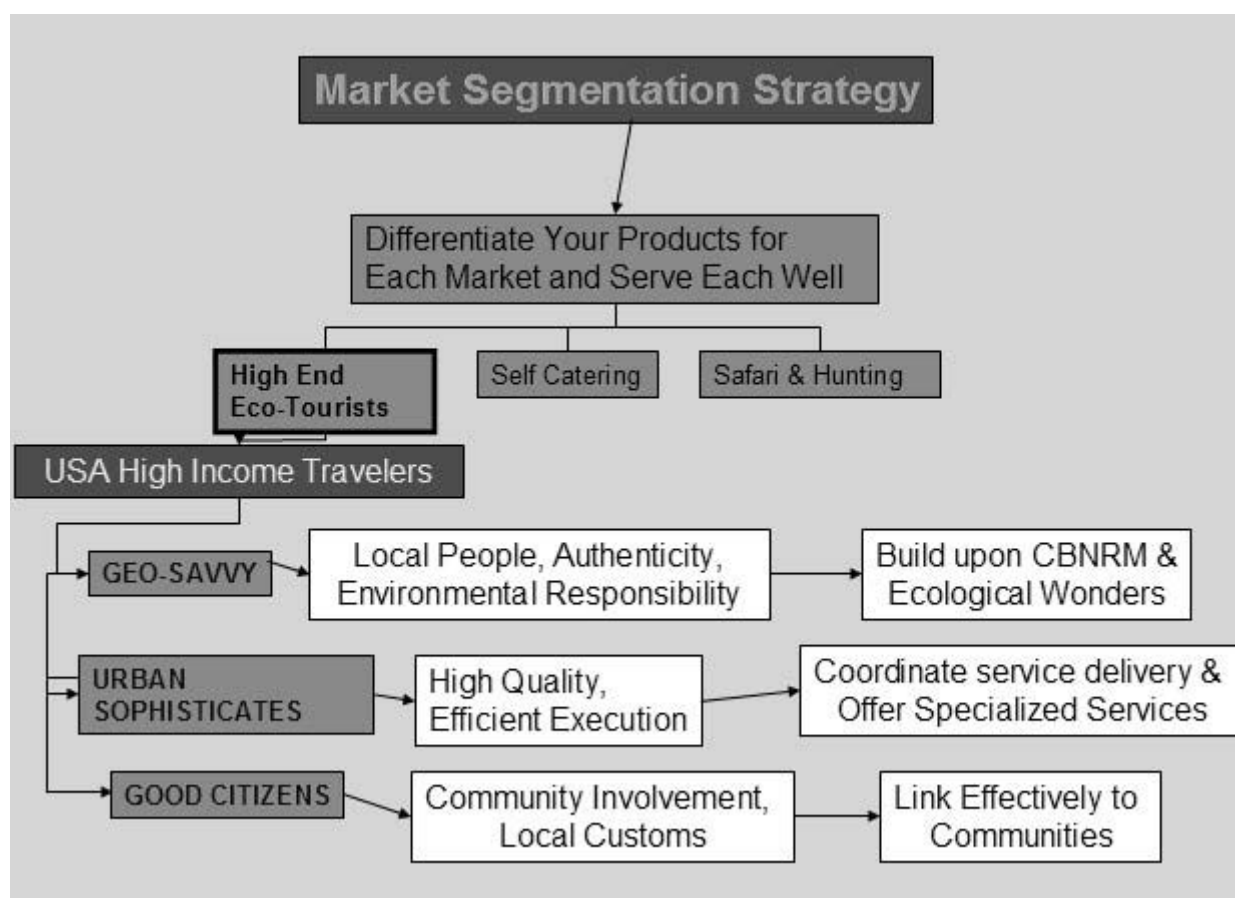
FENATA, “Future Development...emphasis on high quality tourism and (environmental) carrying capacity.”

physical attraction such as the water holes in Etosha, for example, the differentiation of what amenities are offered at different lodging facilities will attract different clientele. In some cases, this differentiation of markets can even be within the same tourist facility. For example, in *Sabi-Sabi*, located in one of South Africa’s premier private game reserves, accommodations are available in one of their three locales: Earth Lodge, Selati Camp, and Bush Lodge, dependent on the tastes of the tourist and their willingness to pay for amenities available at each level of service.

⁵ Andrew Natsios, USAID Administrator, *personal communication*, Durham NC, USA (November 7, 2002)

Such a market segmentation strategy would build upon current strengths and would rely on existing infrastructure, primarily. This market segmentation strategy does not necessarily mean increasing the number of tourists in proportion to the increase in the value accruing to Namibia. In fact, the environmental impact of a high-end eco-tourist is more benign to fragile ecologies than is the environmental degradation associated with self-catering/self-drive camping. Such an approach is consistent with multiple pronouncements by the public and private partnerships that support the Namibian tourism cluster. The keys to the strategy are an enhanced service attitude that incorporates all Namibians in the cluster and effective use of modern internet-based systems for marketing Namibia's tourism services and for managing the delivery of a world class Namibian experience.

This strategy is also consistent with Namibia's goals to achieve high-quality tourism in a sustainable manner. Numerous representatives of Namibia's private/public foundations for tourism have expressed the emphasis on "quality over quantity", sustainability, responsibility and concern for the ecologies' "carrying capacity" (see box above).



4.0 Factor Market Conditions: Facilities, Infrastructure, Workers' Skills, and Management Perspectives

The Namibian tourism industry uses various inputs to provide experiences for its clients. These inputs or production factors include facilities and labor services, food and its preparation and presentation, lodging, entertainment, local interest information, information and communication technology, logistics services and most importantly the natural and cultural attractions which form the core of what Namibia offers. The specific skills demanded of the labor force depend on the nature and complexity of the direct and supporting services provided.

Facilities and infrastructure range from “top-of-the-line” modern to rustic with a preponderance of mid-level establishments with good to excellent amenities. There are nearly one thousand purveyors of lodging accommodations ranging from small bed and breakfast operations with few rooms to several large hotels. These accommodation establishments are the core of the services offered by the tourism cluster and most facilities are located near an important natural and cultural attraction. While at present there is adequate capacity for the numbers of visitors coming to Namibia, some remote or unique localities are under-served, at least in the sense that there is not yet a full range of lodging accommodation in all sites. Furthermore, the current patterns of arrivals of visitors give the cluster a high degree of seasonality, which results in a relatively low average occupancy rate of 45% on an annual basis. Almost without exception, all facilities are characterized by exceptional cleanliness and comfort, even in the most rustic settings.

Food and beverage services range from acceptable to excellent with some larger establishments relying excessively on monotonous buffet style service for catering to group packaged tours. Smaller establishments tend to offer very good food prepared under direct supervision of the proprietor. Potable water is readily available in all localities, even though water is a very scarce resource throughout Namibia. Most establishments offer a wide array of good local and regional drinks including fruit juices, fizzy drinks, infusions and excellent beers and wines.

Most localities are served by **electricity** from the national power grid or from individual generators. Access is generally good to most locations, because there is a good core system of surfaced roads and the arid and semi-arid climate allows most non-surfaced roads to remain easily passable at all times, although some very remote sites require four-wheel drive vehicles or in some cases, access is only gained by aircraft. In the latter case, there is an excellent network of air safari taxis that are moderately priced, safe, reliable and effective.

Logistics services are adequate, but there is not a seamless operational system among the various modes of transport. As a result, many tour organizers rely on in-house ground transportation (luxury coaches for group tours), while operators of taxi and shuttle services complain of being excluded from the high-end tourist market. Independent transport operators exhibit high variance in the quality and age of the rolling stock, and this may account for the apparent lack of integration between transportation providers and other elements of the cluster. There is a significant use of car hire services, but mostly for self-drive arrangements through the internationally recognized brands for rental vehicles.

International arrivals have access to several modern airports, but most arrive through Chief Hosea Kutako International Airport in the capital city of Windhoek (WDH). Currently, most international airline service arrives as connections from South Africa, although WDH is served by direct flights from Europe by Air Namibia, the national flag carrier, and by chartered flights, primarily from Germany. Services at the airport are efficient and courteous, and Namibia's airports compare quite favorably with international airports globally and superbly with international airports throughout the rest of Africa. In general it is easy to get here, though it is far for most tourists, and once here it is relatively easy to get around to all regions of the country.

Service could be enhanced with integration of the transportation functions with accommodations and tour guiding services. A notable example of the lack of integration is the lack of effective linkage between the national parks and reserves and the providers of guided tours and lodging at or near these resources. Parks and reserves operate during daylight hours in fulfillment of their conservation and protective mission, and permits must be purchased upon entry to cover the expected duration of stay (one or more days). Permits cannot be purchased from the guides nor at lodging facilities, nor surprisingly at the gates of the parks or reserves. Permits must be purchased at separate offices inside the parks, and this generates a significant loss of game viewing, sightseeing or travel time, as visitors must queue at these offices to obtain permits during daylight hours inside the parks. Furthermore, these permits limit the flexibility of tourists who choose to stay at facilities within the park, because the permits are only valid for the pre-specified period. A visitor that chooses to stay longer at a facility within a national park cannot pay the additional fees at the facility or upon exiting the park, but must return to the entry point to pay for the additional time. If permits could be obtained and modified at the entry gates, at the lodges or from the tour guides, there would be enhanced convenience for the visitors to the national parks, and this service could be outsourced to private sector providers, thus freeing staff of the parks for more vital tasks of preservation and supervision of the flora and the fauna and their habitat.

Information and communication technologies are used by most of the upscale establishments, but most of the community based operations lack access to a complete array of these services. Many lodging accommodations use email for handling reservations requests and to communicate with their clients, although the effectiveness and promptness of replies is highly variable across enterprises, from prompt and effective to erratic. Many facilities can be accessed by telephones (including cell phones), and others have telecommunications based on radios or satellite phones. Community-based operations generally lack access to modern communications technologies.

Many of the service providers are included in internet websites of international tour operators and travel agents and a few maintain their own web pages. Some of the internet sites that feature Namibia are highly cluttered with catalogue type information (listings of facilities) but present little useful information to enable an international tourist to choose among providers. Furthermore, very few of the internet sites are sufficiently interactive to enable prospective visitors to book a complete array of services or even the services listed in the particular site.

There appear to be important opportunities to improve the information content of internet exposure for all firms in the cluster and, importantly, to link the smaller and/or community-based operations into websites that feature the total Namibian experience. Furthermore, there is a need for internet-based services that allow potential international clients to book a complete set of services in Namibia in one

session. If busy international tourists cannot accomplish such bookings directly, they will use the services available in one of the neighboring countries where they can avail themselves of complete internet-based destination management services to book their entire “experience”. In such cases, one or two Namibian sites may be tagged on by the regional service provider (Namibia’s competitor), but the principal value will be captured by others.

Enhancing the marketing of Namibia with such a system would only be part of a strategy to position Namibia in the global market for high-end tourism. Namibian service providers must also develop the capability to deliver services to this high-end clientele effectively. Central aspects of this require a better integration of indigenous Namibians in all aspects of service delivery. There are at present severe human resource and organizational behavior problems in the delivery of services at most facilities throughout Namibia.

Perhaps, the ***most important factor of production within a tourism provider is the availability of differentiated skills associated with the uniqueness of the experience(s) on offer.*** Not only are skills and knowledge required for providing the basic services and amenities (transportation, guided tours, lodging, food and drink), but under ideal circumstances, the employees and staff of any given provider are an integral part of purveying the total experience at a particular locality. For example, high-end visitors from rich countries would expect ALL staff members and employees of an establishment to share their knowledge of the local attractions. Such information may be simple information, such as, the suggested time and location for optimal viewing of a particular species of wild-life or a particular constellation of stars in the night sky, a sunset/sunrise, or it could be more complex, such as the ethnic connections between the current settlers of a region and the original inhabitants that painted the rocks in a particular setting. In other cases, such as where special equipment is used for providing the “encounter with nature”, e.g. dugout canoes, boats, hot air balloons, etc., the skill requirements are crucial for the effective and safe enjoyment of the services provided.

Regardless of the attraction of the scenic beauty or ecological wonders, there is much more to quality than clean and comfortable bedding or good food and drink. Every detail of service delivery must help enhance the specific experience for which the visitors have paid large sums of money, traveled far, and dedicated their scarce leisure time. While differentiated and specialized skills are required to fully deliver the services, ***teamwork and integrated delivery is a key to fully satisfying the expectations of visitors to Namibia.***

Even the top-of-the-line establishments do not currently deliver such a fully integrated array of consistently well-delivered services to their clientele. With few exceptions, there is patent lack of coordination of service functions and the delivery of service elements in almost all top-level establishments in Namibia. Examples are many, but a few examples will help convey the current problem with the delivery of services in tourism establishments in Namibia. Lodging, logistics and guiding functions tend to be disarticulated in many instances because each of these services is provided by a different enterprise, even though the high-end tourist looks at each locality, if not the country, as an integrated whole, i.e. The Namibian Experience. Such disarticulation is often blamed on outsourcing of services but outsourcing is not the problem. The problem is a lack of a shared view towards “quality” of the whole Namibian experience. Even in particular establishments there is disarticulation among basic functions such as room comfort and amenities, dining services, front desk services, information and orientation information, linkages to other providers of goods and services,

and management accountability. Often, within one establishment, one or more of these functions will be performed at the highest levels of quality, while others will be at the other end of the scale. It is not uncommon for the client that points out substandard service to hear from the manager, “we can’t get good workers, anymore!” or to hear the blame shifted to another provider of services, with a dismissive attitude.

All this is perhaps an unfortunate legacy of apartheid but the resulting functional segmentation in service delivery causes great variance in the perception of quality as

seen by the client who may be unfamiliar with the legacies of apartheid. The problem with functional segmentation and the resulting variance in quality of service delivery is very important from the perspective of SME participation because the practices in place and the resultant poor service delivery are often presented as reasons for continuing to exclude historically disadvantaged Namibians from entrepreneurial and managerial roles within the cluster.

Another type of disarticulation occurs between particular “up-market” establishments and community based attractions. It is not uncommon for the lodging establishment to appear disinterested in promoting the nearby community-based attraction or in offering guidance to the client on the best way to partake and enjoy the nearby community-based experience. In contrast, other countries such as Kenya and Mexico go to great strides to incorporate autochthonous meals, costumes and entertainment (music and dance) within the particular establishment and as a precursor and link to the total encounter with nature and the culture of the locality.

The adage, “a chain is only as strong as its weakest link”, is particularly applicable to tourism. Tourism is an area where certain kinds of mistakes are punished severely. If an international visitor wastes a day or misses a desired attraction because a service provider fails with an important arrangement such as airport to lodge logistics or the air safari operator fails to show up, the clients will neither forget nor forgive. They will make sure that their tour arranger or travel agent, at a minimum, hears of their disappointment. If they have a bad room or a bad meal, it is more tolerable, but it is also remembered and shared with others. A significant difficulty in getting SMEs directly into providing services to

An Example of Community Empowerment

(extracted from www.sabisabi.com)

“Only when the barriers of apathy and ignorance are broken down can conservation really move forward.”

“Conservation is ultimately people orientated and education is a crucial part of any conservation programme ... Seeds of environmental awareness need to be planted in both young and old, of all races and from all walks of life.

Sabi Sabi has undertaken to lecture to and train young persons...to develop and foster an understanding of the need for conservation.

Guests at Sabi Sabi are also influenced by the conservation ethic as they experience the natural beauty of their surroundings and listen to our rangers and trackers, who not only encourage them to enjoy and truly observe the unspoiled wilderness, but also help them to understand the threats facing our fragile environment.

Sabi Sabi's commitment to local community / social ecology involvement extends beyond the boundaries of its core business. The following commitments have been made by Sabi Sabi:

- *Teach the Teachers*
This programme focuses on youth leaders...the training camp is used as a venue for eco tourism awareness programmes... on a fully complimentary basis.
- *Courses taught by lodge staff* include: ecotourism in South Africa..., career opportunities in ecotourism, SMME activities linked to game reserves and lodge industry..., and environmental concerns”.

tourists is that the commitment and skills to avoid these big mistakes must be in place from the beginning, because a few major errors will create a bad reputation for the cluster as a whole and reinforce existing stereotypes about and among the various ethnic groups participating in the cluster.

The foregoing are problems of collective vision, management and proprietor attitudes and lack of workers' empowerment through knowledge and skills. Despite the solid existing capacity in lodging, transportation, and communications infrastructure, there is not a general consensus within the cluster that ***Namibia is a "World Class Experience"*** and that each facet of each attraction can be World Class. Nor is there recognition of what it takes to deliver a world-class experience. The first step is ***recognition at all elements of the cluster that Namibia's Client is World Class***. That first step must be guided by the members of the various cluster associations and the supportive public/private institutions to foment an attitude throughout the cluster that all facets of service need to be delivered to world class standards of quality. The key element of this attitude should be pride and respect for all the people involved in providing the total Namibian experience. Then each of the service elements --lodging, meals, tour guiding, local logistics, information, mementos-- must be delivered with a world-class attitude. In particular, all attractions exist within unique community/cultural contexts, and must be delivered with pride and respect for the people of the community. Similar respect must be the basis for the use of the fragile non-human environment that often forms the foundation of the attraction-- wildlife, waterways, mountains, pans and deserts.

The foregoing implies a need to establish clear quality standards for service delivery and for a system to monitor and manage against such standards within a framework of market-based entrepreneurship. The institutional, legal and policy basis for such a system exists in Namibia already. ***The enhancement that is needed is a cluster-wide perspective that Namibia is a top quality product and that all Namibians can participate fully in the delivery of such***. This enhancement can be achieved through collaboration among the many elements to create a fully competitive world-class tourism cluster in Namibia. The foundations are in place; they must be built upon for the benefit of all existing participants in the cluster and for new entrants.

5.0 Cluster Foundations as a Basis for Greater SME Participation in Tourism

NAMIBIA TOURISM BOARD

Responsibilities The Namibia Tourism Board in conjunction with the private sector and the Ministry of Environment and Tourism is responsible for marketing of the tourism product of Namibia:

- Actively market and promote Namibia as the premier tourism destination.
- Actively promote successes in the communal areas locally, nationally and internationally.
- Use the local and international media to recognize and promote establishments that are socially and environmentally responsible.
- Encourage successful tourism suppliers to champion the cause of the communities and the spread of responsible tourism.
- Human resource development and training is a key responsibility

Functions of the board include:

- To promote tourism by encouraging persons to travel to and within Namibia.
- To ensure that services and facilities provided to tourists comply with prescribed standards.
- To consider and decide on applications for registration of accommodation establishments and regulated businesses and to grade accommodation establishments.
- To promote the training of persons engaged or to be engaged in the tourism industry and to ensure that they are adequately trained
- To promote the development of the tourism industry and to promote environmentally sustainable tourism by actively supporting the long-term conservation, maintenance and development of the natural resources.
- To give advice and guidance to people engaged in the industry.
- To promote tourism activities on a national, regional and local level, including the promotion of private sector associations and to represent their members.
- To advise the Ministry on any matter relating to the formation or implementation of national policy on tourism.

The Namibian tourism cluster has strong foundations in terms of trade associations and supportive government bodies. The cluster is also supported by good health care facilities and emergency evacuation services, an effective safety and security apparatus, modern urban services throughout the country, good telecommunications, excellent road infrastructure and substantial international air service through several international airports and an excellent network of air taxi (air safari) providers. The cluster foundations are further strengthened by significant support from international donor countries and non-governmental organizations that have helped place Namibia at the forefront of emerging global trends for sustainable tourism.

The Ministry of Environment and Tourism (MET) has the legal and executive mandate to govern and regulate the tourism sector in Namibia. It executes this mandate in adherence to relevant legislation and under the guidance of the government's "White Paper on Tourism". Additional guidance is provided in a consultative process by the President's Advisory Council on Tourism. The public sector's role in the cluster is made operational through the Namibia Tourism Board (NTB), which was instituted in 2001 as the primary entity responsible for marketing Namibia. The NTB provides a platform for the promotion of Namibian tourism by, among other things, coordinating the participation in exhibitions and international trade shows. The Board also has responsibility for registering tourism-based enterprises and for establishing and monitoring performance standards for the enterprises within the cluster in coordination with the Ministry.

The structures within the public sector have joined in an effective private/public partnership to foment the development of tourism in Namibia. Among the private sector organizations that sustain this solid foundation, the Federation of Namibian Tourism Associations (FENATA) acts as an umbrella and as the voice of the private sector in the public/private

dialogue structures for the cluster. FENATA has member organizations such as the Hospitality Association of Namibia (HAN), the Association of Tour and Safari Operators (TASA), the Namibia Professional Hunters Association (NAPHA), the Car Rental Association of Namibia (CARAN), the Tourist Related Business Association (TRENABA), and importantly, the Namibian Community Based Tourism Association (NACOBTA).

The Federation of Namibian Tourism Associations (FENATA) also supports the participation and development of SMEs and encourages established tourism businesses to forge linkages with SMEs. FENATA leaders believe that a greater awareness of tourism and its benefits is required among potential SME participants in the cluster and among the population of Namibia, in general. A basis for business development advocated by FENATA among its members is to train indigenous employees and eventually assist them to establish a business from which services to their “former” employer could be outsourced.

The Tour and Safari Operators Association (TASA) represents the interests of private sector tour and safari operators. The association functions to ensure quality standards among its members. The association supports the entry of SMEs into the sector, but stresses that international tourist demands for quality have increased operating costs, required infrastructure, insurance, and the general costs of working in the tour operator industry. TASA is willing to assist and facilitate opportunities for SMEs, but the organization stresses that the process of entry for SMEs into the sector will take time. Currently, TASA provides bursaries to indigenous Namibians for study at the Namibian Academy for Tourism and Hospitality (NATH). Through TASA, linkages are forged with local guides in the areas where specific community based attractions are frequented by its operator members (e.g. Brandberg Mountains and Twyfelfontein).

Cluster Foundations

- **Transport Infrastructure**
- **Public Services (energy, communications, health care, environmental management)**
- **Dining, Entertainment and Amenities**
- **Special attractions (culture, nature, activities, arts, crafts, history, etc.)**
- **Safety and Security services**
- **Hospitality Training and support services**
- **Trade and Business Associations (HAN, FENATA, TASA, NACOBTA, etc.)**

The premier organization in Namibia’s Tourism Cluster is the Hospitality Association of Namibia (HAN). HAN represents the interests of more than 400 Namibian accommodation establishments in all regions of the country. Most affiliates offer contemporary style accommodations with the bed and breakfast establishments representing the latest addition to the membership of HAN. The organization publishes an excellent directory of its members and their services along with general and useful information about the vast array of tourist attractions in Namibia. HAN also seeks to encourage its members to follow a code of ethics and to meet high standards in service provision. It seeks to stimulate excellence in service provision by sponsoring performance-based awards for members in various categories at its annual convention and show. HAN leaders are positive about the development of indigenous SMEs and consider them as having the potential to move into the mainstream accommodation sector in Namibia.

An organization that appears more proximal to the potential opportunities for SMEs within the cluster and in particular to a strategy of cluster competitiveness focused on attracting high-end sustainable tourism is the Namibian Community Based Tourism Association (NACOBTA).

NACOBTA was established in 1995 to assist and support local Namibian communities in their efforts to develop tourism enterprises and improve living standards among rural people. The organization provides training, business and product development advice, small grants, marketing, tourism planning, and lobbying and advocacy for its 45 member enterprises which include: conservancies, campsites, rest camps, museums, traditional villages, craft centers, and indigenous tour guides.

Several business service organizations provide assistance to SMEs in support of strengthening the cluster foundations of the various tourism sectors. Several of these institutions have significant components that focus on tourism education and training. The Namibian Academy for Tourism and Hospitality (NATH) provides tour guiding as part of its core training business. Tour guide training is provided at a basic level and at advanced levels. In addition, specialist training is also offered in a few limited circumstances. NATH is responsible for the training of guides affiliated to NACOBTA. Camping logistical training is also provided after completion of the basic guide training and focuses on driver guides and camping assistance. This training is specifically focused at the NACOBTA affiliated enterprises operating in the accommodation sector. Guides also require general tourism training in order to enhance their scope of the industry. The Polytechnic of Namibia offers tourism related courses at an operational level from front office management to back office management including management of the kitchen. The University of Namibia offers a course in tourism management together with related courses in general management and strategic level management planning.

NAMIBIAN COMMUNITY BASED TOURISM ASSOCIATION (NACOBTA)

Operates under the principles that:

- Communities must benefit from tourism.
- Communities must be a part of the tourism industry.
- The tourism industry should value communal area resources and be willing to pay to utilize them.
- Visitors want to experience the culture and environment in the communal areas
- Sound use of natural and cultural resources is the only way to develop sustainable tourism in Namibia.

Source: NACOBTA's 2002-2007 Strategic Plan

In addition to Namibian entities that form the foundations of the tourism cluster, the neighboring countries, particularly South Africa, Botswana, Zambia, and Zimbabwe also play an active role in enhancing Namibian tourism. At present, access to Namibia is often offered as part of an integrated Southern African experience. The Namibian attractions sometimes appear more as an afterthought rather than as central to the overall Southern Africa experience. It is thus important to cooperate with neighbors to differentiate the Namibian experience and to make it central to Southern African experiences rather than to compete directly with them. This “cooperate to compete” approach means that the region needs to sell the entire Southern Africa experience, but that Namibia needs to promote and deliver a central, rather than tangential, role for its tourism cluster.

6.0 Recommendations for Enhancing Tourism Competitiveness in Namibia through SME Participation

The established safari and hunting lodge businesses (primarily the members of HAN) will remain the important core of Namibia's tourism cluster and will probably expand as more high-end tourists seek the Namibian Experience. The established enterprises will form the backbone of the cluster in serving additional visitors for high-end eco-tourism and culturally oriented encounters. What this report recommends is that this established core reach out to the communities to incorporate them and their people more directly in providing the services associated with serving the new markets for high-end tourism.

Where to Enhance Tourism Competitiveness in Namibia

- Establish Namibia as a Top Brand in High Value Markets, while improving service to existing markets
- Create Linkages among service providers (Airlines, local transport, Accommodations, Specific Attractions, Tour Guides, Artisans, Cultural Experiences)
- Promote Service Attitudes among providers and their employees in all aspects of cluster performance
- Link Tourists' Experiences to culture and history, particularly the local communities
- Deliver a complete Authentic Namibian Experience!

Eco-tourists are an expanding market and they want to partake of the services of top-line facilities as an important complement to the community-based facilities. This market segment can be served with the existing facilities around the country with better-coordinated service delivery built around an effective destination management system that uses the Internet. Over time, the growing number of visitors may lead to increased investment in facilities. It is not necessary to increase the pace of infrastructure development, *what is needed is better use of what exists through better integration and better monitoring of service standards.* An important consideration is that new visitors from North America can be encouraged to

come to Namibia in what would currently be off-peak times so as to increase capacity utilization (across seasons) and thus increase revenues without increasing pressure on the environment or the local cultures.

6.1 Cluster Cooperation to Establish Namibia as a Top Brand in High Value Markets

It is often said that Namibia is "the world's best kept secret" and this adage also appears to be especially true for tourism.⁶ As has been highlighted above, Namibia's tourism assets place it at the top of tourism opportunities for high-income visitors from rich countries. Yet, only recently has Namibia begun to appear as a desirable destination on offers by the top tour promoters in rich countries outside of Germany. This emerging awareness of Namibia's value in high-end tourist markets can be attributed, at least in part, to the initial work of NTB. Nevertheless, firms of all sizes and in all elements of the cluster would benefit from an expansion of tourist arrivals from other rich countries. We, therefore, recommend as a key strategy for development of the cluster that an organized and persistent effort for cluster cooperation be undertaken to establish and maintain Namibia as a Top

⁶ The authors of this report see that phrase as symptomatic of inadequate promotion, rather than just a catchy phrase.

Brand in high value markets of the Northern Hemisphere. This effort could be directed at increasing awareness of the opportunities for encounters close to nature and to Namibian communities while at the same time improving service to existing markets, such as affinity visits from German tourists and self-catering fishing, hunting and game viewing by South African visitors.

In addition to well-organized and coordinated general promotion (through NTB and HAN, for example) of Namibia's natural and cultural wonders, specific firms and enterprises may find it advantageous to link up with some of the major organizers of high-end eco-tourism in rich countries. At the same time as increased promotion is undertaken, the associations and institutions would work to enhance linkages among service providers (airlines, local transport, accommodations networks, specific attractions and tour guides, artisans, and community-based cultural experiences).

Along with promotion and coordinated linkage of elements within the cluster, the cluster associations and institutions have a crucial role in promoting a high quality service attitude among all providers and their employees in all aspects of cluster performance. Ideally, an improved service attitude will stem from increased pride and direct linkage of all enterprises to Namibia's culture and history, particularly the local communities, but not to the exclusion of the contributions of the German and Afrikaner pioneers.

Any strategy to increase the selection of Namibia as a preferred destination by the potential market of high-end eco-tourists must begin with a commitment to the concept that, ***“the Product is Namibia and the Producers are Namibians”***. In this framework there will evolve many opportunities in the cluster for SMEs, but SMEs will not enter until there is a demand-pull by the existing and established participants in the cluster. The cluster must commit to pursuing the emerging market by proactively involving indigenous Namibians as providers and as entrepreneurs in legitimate and authentic manners.

A key element of a strategy to attract more high-end eco-tourists from the Northern Hemisphere would involve a high-class promotional program through the internet and through conventional media, yet such a strategy would fail if Namibia were not in a position to deliver the top quality services required by this demanding clientele. Simply put, ***“Don't promote, until you can deliver”***. The cluster needs indigenous Namibians as the product and as the producers for the emerging market segments in eco-tourism, and this emerging market must be developed through two interlocking thrusts. One thrust is to promote “The Complete Namibian Experience” and the other is to deliver a top-quality seamless well-integrated set of services that are consistent with the promotion.

To achieve these two thrusts in a mutually reinforcing manner we recommend that Namibia's tourism cluster

The Product is Namibia and the Producers are Namibians

- **There are many opportunities in the cluster for SMEs, but SMEs will not enter until there is a demand pull from the established firms**
- **The Cluster must commit to pursuing the emerging market for sustainable tourism**
- **Don't promote, until you can deliver**
- **The Cluster needs Indigenous Namibians as the product and as the producers for the emerging market segments in Eco-tourism**

develop or elect to participate in a state-of-the-art IT-based destination management system. Such a system would serve to:

- Promote Namibia as a whole as “The Product”.
- Organize and book the Complete Namibian experience.
- Deliver the Complete Experience with quality, effectiveness and reliability.

We suggest that the public/private partnership that already exists could work with broad participation of the 1000+ Namibian individual enterprises in the cluster to implement such a destination management system for the benefit of all Namibians. Namibia’s potential deserves a “total quality” management system and the resource flows to emerge from attracting high-end eco-tourists would be more than sufficient to pay for the implementation and operation of such a system in a market-based framework. This management system would serve as a tool to project world-class in tourism and to manage service delivery of a world-class product.

Namibia needs such a system to learn from its tourists how to improve for the future eco-tourists. There does not currently exist a centralized place where potential new visitors can find personal comments and/or recommendations from previous visitors or writers for travel magazines. The widely used visitor comment cards are very helpful to each establishment or association of establishments, such as HAN, to maintain quality standards; however they fail to brand Namibia as a world-class destination to the newcomer. The global tourism industry thrives on word-of-mouth, which can have both very positive impacts and deleterious impacts since mistakes are often punished in this context. The Internet has globalized “word-of-mouth” referrals.

Such an information management system must give maximum flexibility to all players in the industry. For example, the functional elements of such an internet-based management system for Namibia’s tourism cluster could include:

- A “site content management” element to provide direct and interactive exposure for all Namibian service providers in a single network including the independent management of each provider’s (site) promotional and availability content, supportive cluster information under the control of individual cluster institutions, such as HAN and NTB, and a set of business rules to maintain standards for content management and fulfillment of client requirements.
- A product management element in which each enterprise manages its own relationships with its clients and the other providers in the system. Each enterprise would control their reservations inventory through the system, but “availability” would be accessible for booking directly by clients or by other participants in the network. Each enterprise would also control its rates, product descriptions, packaging strategies, and other proprietary business rules, but these would be implemented through the system so that any booking made by a cluster partner or a client would be fully compliant with the individual enterprise’s business practices and with the cluster’s business standards, simultaneously. Business practices to be incorporated include the payment of commissions into the system and the security of credit card deposits, etc.
- A reservations element in which all inventory from all participants would be available for booking in “real time” by clients directly, agents, the enterprise itself and other members of the cluster. This means that each enterprise would have to enter all reservations made through

direct contact (in person, by phone, conventional mail, fax, etc.) into the system to maintain its integrity and reliability.

A web-based Destination Management System:

A full service Internet Site for Busy High-end Tourists offers the Complete Namibian Experience in One Location at One Time

Travel agents, information centers, tour operators— Industry professionals can use the site to serve their clients better

A complete Management Tool for the Hospitality industry, managers and staff

Inventory management, sales, on-line booking

Market Research, surveys/user feedback and quality control

Integrate to Local Communities Attractions

Integrate to Transportation companies, Food and beverage suppliers, other services Retail outlets and crafts shops

Tour Guides. Naturalists. etc.

Systems of this type have become the state of the art in destination management in the global tourism marketplace. These consist of an integrated set of Internet websites that are rigorously interlinked to share content and inventory management information. Each service provider (e.g. hotel, lodge, conservancy, tour guide, etc.) appears to the clients and the trade as an individual site that can be accessed directly or through a master “Experience Namibia” site. Each provider uses a browser to manage content and inventory and as access to the other providers. In some cases, such systems can be fully integrated into the predominant airline reservation systems, e.g. Galileo, Saafari, Sabre, etc. While the system fully integrates all Namibian providers, each provider maintains its own business autonomy. The virtue for Namibia is that the cluster as a whole and each firm within the cluster can get instant exposure by high-end clients or their agents and because the

system is fully interactive and interconnected, “lookers” become “bookers” and in a single site the client can book the complete Namibian experience.

Why does Namibia need such a state of the art “e-business” approach to attracting and serving high-end eco-tourists? One reason is that Namibia is far from the buying decision and lead times are shortening in buying decisions. The present exposure to the web for Namibian tourism providers relies on exchanges of emails across several time zones, which require days to finalize one booking with one provider. Under present conditions it can take weeks to organize a complete Namibian Experience; the high-end tourist do not have this kind of time or patience and they will go to those destinations that offer them convenience. Namibia’s neighbors are already implementing such systems and other eco-tourism destinations such as Australia have been doing it for quite some time (see australia.com, for example). Furthermore, travel related services are leading players in world-wide

Why Namibia Needs e-business!

- Far from the buying decision and lead times are short for high income tourists
- Travel related services account for 1/3 of internet purchases globally: (WTTC, 1999)
- E-commerce offers “one-stop shopping” for clients with scarce time and high incomes
- E-commerce captures the sale and all management and service delivery aspects to assure complete quality
- The Internet has made each tourist her own agent
- The competition is doing it!

e-commerce spending (1/3 of internet purchases are travel related (WTTC, 1999). E-commerce offers “one-stop shopping” for clients with scarce time and high incomes and e-commerce captures the sale and all management and service delivery aspects to assure complete quality. The Internet has made each tourist her own agent.

6.2 Specific Opportunities for SMEs for Increased Tourism Cluster Competitiveness

The implementation of an interactive destination management system based on *e-commerce* principles and capabilities would require a framework of cooperation among the current players in the cluster and emerging SMEs. Such a framework could use extant public/private partnerships to add value to the cluster and to Namibia. Once such a system is in place and it is based on broad participation by SMEs in delivering the Namibian experience, there would evolve other related opportunities for SME enterprises in the cluster.

Specific services where low-scale and low cost may be a source of competitive advantage include a number of high potential payoff areas for SME participation. These opportunities are generally centered on enhancements to Namibia tourism by providing more direct contact with the scenic beauty of Namibia and its natural and cultural heritage. These opportunities could include:

- Bird watching guides and transportation providers could organize as SMEs to reap advantage from the large number of species that reside in the northern part of Namibia habitats. This creates an opportunity for knowledgeable locals to provide a service to lodges and other establishments these areas. Currently this activity is not offered, as the locals who have the required knowledge have not positioned themselves to capitalize on their expertise. This activity is in its infancy stage and has high growth potential. It would be stimulated by some practical training from ornithologists from a nature-oriented NGO.
- The flora of Namibia is as spectacular as its fauna, yet the traditional emphasis has been on game viewing safaris and their related accommodations. There are opportunities to promote botanical study and similar nature-based specialty tourism linked to the traditional providers or as an independent activity. Local people tend to have sound knowledge of the plants and vegetation of their environment. For the tourist seeking an educational and learning experience, a niche opportunity exists to package different botanical experiences where local people exhibit the botanical richness in the context of the culture and its history. Such experiences would need information to link the native botanical species to their evolutionary bases, *in situ*. Such information could be developed and imparted to the community-based providers by experts and students from the Polytechnic of Namibia and from the University of Namibia. Currently this activity is not offered, as the locals who have the required knowledge are not in the mainstream of tour operating.
- Niche and special interest camping with a differentiated experience, such as learning to identify stars in their constellations in the sky of the Southern Hemisphere, could be marketed at attractions like Spitzkoppe and Sesreim. If provided with attention to detail and with sound knowledge, these can capture high accommodation prices at much lower levels of capital investment than traditional tourist lodges. Selected European and the North American markets could be targeted for travel including some time spent camping. This kind of service is offered

through a few specialty operators, but is still in its initial stages. Again, the universities could offer short courses in “Astronomy” to impart the specialized knowledge required by the guides.

- Knowledgeable professional guides are needed at certain attractions such as viewing rock art and petroglyphs, bird watching at Etosha, study of the aquatic species in the flooded pans, etc. Such experiences can be greatly enhanced for tourists with the assistance of qualified and well-informed guides. This could be in the form of all-inclusive package in terms of traveling, lodging and related services. Very few of the tour operators offer chauffeur driven tours. Packaged tours with different combinations like self-drive coupled with guides or the guides accompanying the guests at all times can also be offered. The organizers of these services could be local entrepreneurs and the providers could be local young professionals with training as naturalists from UNAM and elsewhere.
- Boating, canoeing and white water rafting are activities that require specialized skills and knowledge in terms of the currents, water levels etc. that are usually known to the locals. These types of activities generally do not require substantial economic investments. Currently, no such activities are offered except to a certain degree at Orange River, but there is moderate potential on the Orange River, because it is not as majestic as the northern rivers nor is it located near a multiplicity of other attractions. White water rafting can be offered near Epupa Falls, Popa Falls and along Kunene River.
- Namibia’s pride in its diversified people and cultures should be marketed to the tourists. Local communities, to a great extent, are still unknown to the outside world. Communities like the Himba tribe have been to a degree marketed but others like the San Community are still much of a mystery to outsiders. To access these communities, people from the community can serve as guides and translators. An opportunity exists to organize these communities to provide an experience for tourists, without the threat of over-commercialization, disrespect or exploitation. An example of a SME currently operating in Windhoek and surrounding areas is Face-to Face Tours located in Katutura. Most of the tour operators emphasize the Himba tribe and thereby overlook other fascinating tribes and cultures. There is latent potential, which could be developed, but the necessary technical know-how has to be imparted to guides and other parties to maintain the appropriate respect for the various cultural and ethnic groups and their traditional values.

What Do the SMEs Need to Do?
(You’re only as strong as your weakest link)

- **Be Consistent** in meeting commitments to customers (established firms or tourists)
- **Be Reliable** in Quality, Capacity, and Time
- **Be Knowledgeable and Skillful**
- **Cooperate** with all firms in the Cluster
- **Honesty and Integrity** in All Dealings

Find your Role and Do It Well

These opportunities will not emerge spontaneously; they need to be promoted and supported. While they are generally characterized by low investment and therefore relatively easy entry for SMEs, most new businesses will have limited tolerance for any risks. On the other hand, these opportunities are for private enterprises and any investor (no matter how small the scale) will want to make profits adequate to cover the return to their investment and to compensate for their exposure to risk. There is a need to identify some form of

risk and return sharing mechanism among established enterprises that would benefit from the emergence of some of the foregoing services and the potential SME providers of such services. One modality might be for one or more established enterprises to serve as “venture” capitalists to new SME ventures, and for the SME operator to buy into the equity stake through effort and performance. One of the trade associations could designate a neutral “non-executive” director for the venture to ensure that quality and safety standards are maintained, that the business operates to a high ethical standard regarding business practices, and significantly, that the parties avoid operating under paternalistic or entitlement perspectives.

Other opportunities exist in ensuring that local logistical services provided by SMEs are well integrated into the other firms in the cluster, e.g. taxi/shuttles, tour guides, issuance of entrance permits to national parks and reserves, supplies and vending of petrol and other consumables, catering, etc. There are, also, opportunities for outsourcing of goods and services by established firms (laundry, catering, supplies, mementos), but again this will only emerge if there is a well-monitored mentor-protégé relationship between the established firms and the SMEs. HAN could assume the leadership for establishing an institutional framework for such a mentor-protégé structure for outsourcing services.

Finally and importantly, there is an opportunity to add high value to Namibia by linking tourism to the artisanal cluster through the offering for sale of high-value autochthonous mementos of the Namibian Experience. There are currently a number of existing product-oriented opportunities for SMEs to sell through the established enterprises (or to sell to them). These require a proactive attitude on the part of the established enterprises to use products from SMEs, and SMEs need to deliver high quality products when such opportunities present themselves. One example of this is furniture, carvings, and crafts to be supplied to accommodation establishments for their business consumption as well as retail sales to the tourists. In Rundu, the furniture making business is very promising. Furniture and woodcarvings can be supplied to the tourism establishments (e.g. lodges) for their own use and for resale to their guests. Currently, most of the establishments purchase items from South African sources.

Greater SME participation in the growth areas of nature and cultural based tourism as described above will ***require cooperation among the institutions that form the cluster foundations to promote the concept that increased profit-oriented participation by SMEs in such emerging activities will result in enhanced competitiveness for the cluster as a whole.*** The key value of this cooperation to the established enterprises within the system is in marketing the Namibian experience to new clients from high income countries that are willing to pay premium prices for the emerging style of participative eco-tourism and cultural experiences.

6.3 Summary of Findings and Recommendations for Increasing Competitiveness of SMEs in the Namibian Tourism Cluster

Key opportunities for expansion of the tourism cluster as a whole exist in high-value niches in the competitive global tourism market for which Namibia is well situated by its own natural and cultural wealth. Within this potential, there are opportunities for significant participation by small and medium (SME) enterprises by providing added value to Namibia’s natural and cultural resources. The government’s tourism policy seeks to expand the participation by previously disadvantaged persons and SMEs, in particular, within a context of environmental sustainability and prudent use of natural

resources to expand jobs and incomes. The suggestions offered below are fully consistent with this policy framework.

There are opportunities to enhance the performance of the cluster for the benefit of all Namibians by attracting significantly larger numbers of “high-end” eco-tourists from rich countries, globally, and in particular from the United States. A particularly important opportunity is centered on greater involvement of the indigenous peoples of Namibia in the provision of world-class eco-tourism and community-based experiences to a world-class clientele from several international markets. There are also opportunities for SME participation through the outsourcing of services, supplies, and mementos for the Namibian Experience from new and emerging small and medium enterprises in support of the established and larger enterprises in the cluster.

The prospects for increased participation of indigenous entrepreneurs in tourism will evolve over a long-term horizon and only through a concerted effort at incorporating such enterprises in the mainstream of the cluster through cooperative and mutually beneficial partnerships. The suggested strategy is based on a continuation of the tradition of good service to the existing customer base from Germany and the UK and the regional visitors from South Africa, while enhancing the quality and execution of service delivery and increasing the participation of indigenous Namibians in providing authentic cultural and ecological experiences to the higher income tourists from America and elsewhere. This strategy would use the existing infrastructure more uniformly throughout the year and reduce Namibia’s dependence on seasonal peaks of arrivals from Europe. The strategy would be based on the following elements:

- Establish Namibia as a top brand in high value markets, while improving service to existing markets
- Create linkages among service providers (airlines, local transport, accommodations, specific attractions, tour guides, artisans, cultural experiences)
- Promote service attitudes among providers and their employees in all aspects of performance
- Link tourists’ experiences to culture and history, particularly to the local communities

Within these elements an essential thrust is to incorporate the communities in all aspects of the provision of services to all segments of the market. This would specifically require that the established core enterprises reach out to the communities to incorporate them and their people more directly in providing the services associated with serving the new markets for high-end tourism. The indigenous SMEs will not automatically enter into the cluster without a pro-active “demand-pull” by the existing establishments in the cluster to engage the SMEs in the provision of services to increase the participation of indigenous Namibians in all aspects of the cluster.

In addition to these broad enhancements to cluster competitiveness the report identified a selected number of specific opportunities for increased participation by SMEs in providing tourism related services. These opportunities exist in logistical services provided by SMEs that are well integrated into the cluster, e.g. taxi/shuttles, tour guides, issuance of entrance permits to national parks and reserves, supplies and vending of petrol and other consumables, catering, etc. There are, also, opportunities for outsourcing of goods and services by established firms (laundry, catering, supplies, mementos). These will only emerge if there is a well-monitored mentor-protégé relationship between the established firms and the SMEs.

The broad enhancements to competitiveness and expansion of the cluster are outside the scope USAID's SMECEP, but the program can assist the SMEs within the cluster to more effectively and profitably fulfill their business functions within the cluster. In achieving this, the SMECEP can help lay a foundation of increased trust by the established enterprises within the cluster regarding the performance of SMEs as sources of goods and services (outsourcing) and as sources of cluster competitiveness. The program can also provide assistance to NTB and other cluster institutions to more effectively incorporate SMEs with high performance potential in an NTB-led strategy for improving the positioning of Namibia's tourism in the global marketplace through increased use of e-commerce.